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CalPERS Exploring Alternative Health Plan Options



The concept of choice

Why consider alternative design options?

- Expand choice and meet the diverse economic needs of members
- Increase flexibility for CalPERS' various participating employers
- Allow members to reduce their premiums in exchange for greater out-of-pocket costs (when services are needed)

Why consider additional health plan options?

- Benefits of added health plan competition
- Current economic climate



The concept of choice

Example of health plan choices other plan sponsors offer

- Federal Employee Health Benefit Program plan options:
 - 11 PPO, 6 HMO, and 2 CDHP (in CA)
- County of Los Angeles plan options:
 - 1 PPO and 2 HMO
- City and County of San Francisco plan options:
 - 1 PPO and 2 HMO (with similar designs)
- Most large private sector employers typically offer the following options:
 - 2 or more PPOs and several HMOs (typically with similar designs)



The concept of choice

Potential Advantages

- More choices for employee participants and employers
- Creates options with lower member premiums
- Offers access to differing networks of providers (either with similar or differing designs)
- Allows employers to vary their level of cost support for medical coverage
- May encourage participants to play a more active role in their health care choices in order to minimize their out of pocket costs



The concept of choice

Potential Unintended Consequences

- May lead to increased premiums for higher cost plans over time
- May increase participant share of costs over time
- Higher levels of cost sharing in low cost plans may deter participants from seeking needed care

Federal plan designs

HMO

Copayment	CalPERS Current	Federal Plans High	Federal Plans Standard
Office Visits	\$15	\$15	\$30
Preventive Care	\$0	\$0	\$10
Hospital Inpatient	\$0	\$250	\$500
Hospital Outpatient	\$0	\$50	\$200
Emergency	\$50	\$50	\$100
Generic Rx	\$5	\$10	\$15
Brand Rx	\$15	\$30	\$35
Max Out-of-Pocket (single/family)	\$1,500 / \$3,000	\$1,500 / \$3,000	\$2,000 / \$4,000

2010 Premium (Family)

Blue Shield Net Value	\$1,164	\$1,125	\$1,060
Blue Shield Access+	\$1,344	\$1,300	\$1,220
Kaiser	\$1,287	\$1,225	\$1,175

- Premiums shown illustrate estimated premiums for CalPERS statewide
- Premium estimates based on actuarial value of benefit differences and current risk pool

County of Los Angeles plan designs

HMO

Copayment	CalPERS Current Plan	Kaiser	PacifiCare
Office Visits	\$15	\$10	\$10
Preventive Care	\$0	\$0	\$0
Hospital Inpatient	\$0	\$0	\$0
Hospital Outpatient	\$0	\$0	\$0
Emergency	\$50	\$50	\$50
Generic Rx	\$5	\$5	\$5
Brand Rx	\$15	\$20	\$20
Max Out-of-Pocket (single/family)	\$1,500 / \$3,000	\$1,500 / \$3,000	\$1,000 / \$2,000

City / County of San Francisco plan designs

HMO

Copayment	CalPERS Current Plan	Blue Shield	Kaiser
Office Visits	\$15	\$15	\$10
Preventive Care	\$0	\$0	\$0
Hospital Inpatient	\$0	\$100	\$100
Hospital Outpatient	\$0	\$50	\$10
Emergency	\$50	\$50	\$50
Generic Rx	\$5	\$5	\$5
Brand Rx	\$15	\$20	\$15
Max Out-of-Pocket (single/family)	\$1,500 / \$3,000	\$1,000 / \$2,000	\$1,500 / \$3,000

Federal plan designs

PPO

	CalPERS Current Design	Federal Plans	
Design Feature		BCBS Basic	BCBS Standard
Deductible	\$500 / \$1,000 (\$0 for preventive care in-network)	None	\$300 / \$600
Out-of-pocket Maximum	\$3,000 / \$6,000 per family	\$5,000 per person	\$5,000 per person
Hospital Cost Sharing	20% after deductible	\$100 per day	\$200
Emergency Room Copay	\$50	\$75	15% after deductible
Office Visits Copay	\$20 (\$0 for preventive care in-network)	\$25 (\$0 for preventive care in-network)	\$20 (\$0 for preventive care in-network)
Rx	\$5 / \$15 / \$45 (Retail) \$10 / \$25 / \$75 (Mail Order)	\$10 / \$35 / 50%(Retail) None (Mail Order)	20% / 30% (Retail) \$10 / \$65 (Mail Order)

2010 Premium (Family)

PERS Choice	\$1,267	\$1,200	\$1,300
PERS Select	\$1,183	\$1,075	\$1,175
PERSCare	\$2,162	\$2,000	\$2,200

- Premiums shown illustrate estimated premiums for CalPERS offering
- Premium estimates based on actuarial value of benefit differences and current risk pool

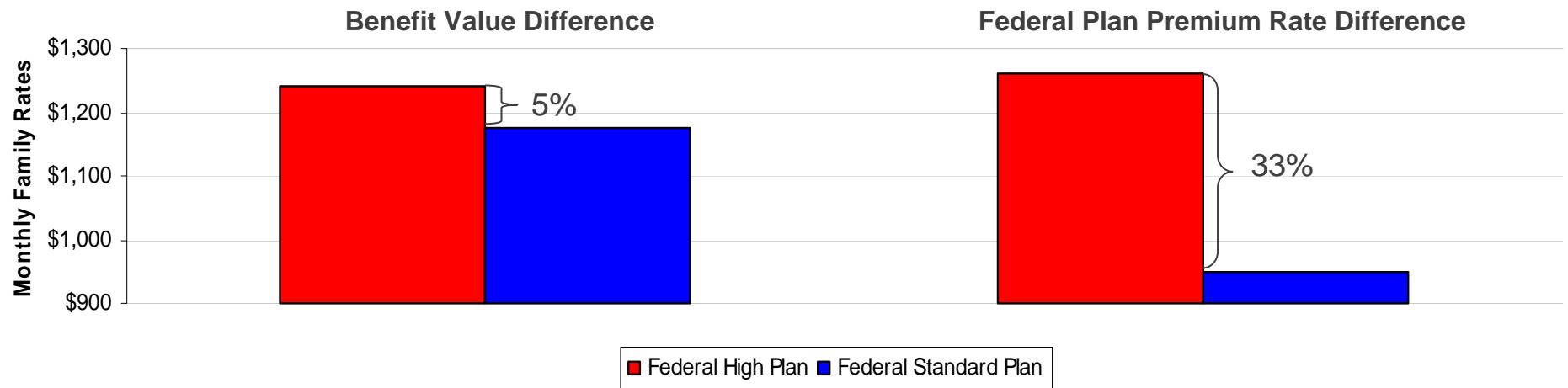
County of Los Angeles & City / County of San Francisco plan designs

PPO

	CALPERS Current Design	County of Los Angeles PPO	City / County of San Francisco PPO
Design Feature			
Deductible	\$500 / \$1000 (\$0 for preventive in-network)	\$300 / \$1,500	\$250 / \$500 / \$750
Out-of-Pocket Maximum	\$3,000 / \$6,000 per family	\$5,000 / \$15,000	\$3,750 per person
Hospital	20% after deductible	20% after deductible	15% after deductible
Emergency Room Copay	\$50	20% after deductible	15% after deductible
Office Visits	\$20 (\$0 for preventive care in-network)	20%	15% after deductible
Rx	\$5 / \$15 / \$45 (Retail) \$10 / \$25 / \$75 (Mail Order)	\$5 / \$20 / \$35 (Retail) \$10 / \$40 / \$70 (Mail Order)	\$5 / \$20 / \$35 (Retail) \$10 / \$40 / \$70 (Mail Order)

The Federal Employee Plan experience with Kaiser

Potential impact of risk selection



- Difference in premium rates is much greater than difference in the value of benefit design alone



Impact of benefit mandates

- Some benefit design changes may be limited by statutory/regulatory provisions outside of Public Employee's Medical and Hospital Care Act

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